

## Message Text

UNCLASSIFIED

PAGE 01 BELGRA 03602 01 OF 02 111545Z POSS DUPE  
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-20 AID-05 NSC-05  
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06  
LAB-04 SIL-01 AGRE-00 DOE-15 SOE-02 DODE-00 PM-05  
H-02 L-03 PA-02 /132 W  
-----071382 120802Z /16

P 111255Z MAY 78  
FM AMEMBASSY BELGRADE  
TO SECSTATE WASHDC PRIORITY 6557

UNCLAS SECTION 1 OF 2 BELGRADE 3602

E.O. 11652: N/A  
TAGS: ETRD, BEXP, YO  
SUBJECT: INTERAGENCY TASK FORCE TO DEVELOP A NATIONAL EXPORT  
POLICY

REF: STATE 95673

1. POST WELCOMES OPPORTUNITY TO PROVIDE TASK FORCE WITH  
SUGGESTIONS/COMMENTS ON U.S. EXPORT POLICY.

2. OVERVIEW- OUR PERSPECTIVE STEMS FROM THAT OF A MEDIUM  
SIZE DEVELOPING COUNTRY WHOSE TRADE WITH U.S. IS STILL MODEST  
BUT WHERE SUBSTANTIAL UNTAPPED OPPORTUNITIES EXIST. WHILE  
FUTURE TRADE WITH YUGOSLAVIA WILL NEVER BE GREAT COMPARED TO  
MAJOR U.S. FOREIGN MARKETS (CANADA, U.K. FRANCE, F.R.G,  
JAPAN, ETC) WE THINK OUR COMMENTS DESERVE SERIOUS ATTENTION  
BECAUSE THERE ARE SOME 15-20 OTHER MEDIUM SIZE LDC AND NON-  
MARKET ECONOMIES SIMILAR IN SIZE AND CIRCUMSTANCES TO  
YUGOSLAVIA WHOSE AGGREGATE MARKET IS VERY LARGE. WE BELIEVE  
NEITHER U.S. INDUSTRY NOR THE USG HAVE FULLY APPRECIATED  
THE POTENTIAL EXISTING IN THESE MARKETS AND, AS A RESULT, HAVE  
NEGLECTED THEM TO OUR MAJOR TRADING COMPETITORS BENEFIT.  
THIS UNAWARENESS OF REAL MARKET POTENTIAL IS REFLECTED IN  
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PAGE 02 BELGRA 03602 01 OF 02 111545Z POSS DUPE

OVERALL U.S. EXPORT POLICY AND PRACTICE. FURTHERMORE, AS  
IS THE CASE WITH YUGOSLAVIA, FOREIGN TRADE OFTEN ASSUMES  
MAJOR POLITICAL IMPORTANCE AND WHETHER WE LIKE IT OR NOT BECOMES  
AN IMPORTANT ELEMENT OF PERCEIVED U.S. FOREIGN POLICY.

3. WE CAN IDENTIFY SEVERAL AREAS IN WHICH EFFORTS SHOULD BE  
MADE TO STRENGTHEN AND MORE CLEARLY DEFINE U.S. EXPORT POLICIES,

AS THEY AFFECT THE DEVELOPMENT OF A FOREIGN MARKET SUCH AS YUGOSLAVIA, IF OPTIMUM LONG-TERM RESULTS ARE TO BE OBTAINED. THESE ARE:

A. A MORE DIFFERENTIATED U.S. TRADE POLICY.  
A SIMPLISTIC POLICY OF PROMOTING U.S. PRODUCTS EVERYWHERE ABROAD WITHOUT TAKING INTO CONSIDERATION THE OVERALL POLITICAL AND ECONOMIC CIRCUMSTANCES OF EACH COUNTRY, IN ADDITION TO THE SPECIFIC PRODUCT MARKET, WOULD IN YUGOSLAVIA'S CASE PROVE SELF-DEFEATING IN THE LONG RUN. SUCH A POLICY WOULD BE UNPRODUCTIVE AND COULD CAUSE SERIOUS ECONOMIC AND POLITICAL PROBLEMS. THE FRENCH AND YUGOSLAV MARMETS, FOR EXAMPLE, CANNOT BE EQUATED, AND MUST BE TREATED DIFFERENTLY. FRANCE CAN COPE WITH A LARGE BALANCE OF TRADE DEFICIT FOR A NUMBER OF YEARS. YUGOSLAVIA CANNOT. YUGOSLAVIA VIEWS ITS TRADE BALANCE FIGURES NOT ONLY IN THE AGGREGATE BUT ALSO IN BILATERAL TERMS. THEREFORE OUR BEST CHANCE OF INCREASING LONG RUN EXPORTS IS BY HELPING TO LOCATE EXPORT MARKETS FOR YUGOSLAV GOODS AND BY FACILITATING U.S. INVESTMENT IN YUGOSLAVIA. AN ATTEMPT SHOULD BE MADE TO TAILOR A TRADE PROMOTION PLAN FOR YUGOSLAVIA WHICH NOT ONLY SATISFIES OUR EXPORT PROMOTION GOALS BUT ALSO LINKS THESE TO MEETING LEGITIMATE AND REALISTIC YUGOSLAV TRADE OBJECTIVES.

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PAGE 01 BELGRA 03602 02 OF 02 120742Z  
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P 111255Z MAY 78  
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UNCLAS SECTION 2 OF 2 BELGRADE 3602

B. GREATER EXPORT OPPORTUNITY AWARENESS -  
EXPANDED EFFORTS MUST BE MADE TO ENCOURAGE U.S. FIRMS, PARTICULARLY MEDIUM AND SMALL, TO LOOK AT EXPORT POSSIBILITIES NOT ONLY IN THE TRADITIONAL DEVELOPED WESTERN ECONOMIES BUT ALSO IN SMALLER BUT GROWING LDC AND

NON-MARKET ECONOMIES. TRADITIONALLY A FEW LARGE U.S. FIRMS HAVE DOMINATED U.S. TRADE WITH YUGOSLAVIA. THIS NEED NOT BE THE CASE. THERE ARE AMPLE OPPORTUNITIES FOR SMALLER FIRMS. THE LEVEL OF U.S./YUGOSLAV TRADE IS VERY SMALL IN COMPARISON WITH WHAT IT COULD BE. IN MANY AREAS, PARTICULARLY SINCE THE DECLINE OF THE DOLLAR, U.S. EXPORTS ARE VERY COMPETITIVE. THE PROBLEM IS THAT FEW U.S. BUSINESSMEN ARE SUFFICIENTLY AWARE OF/OR HAVE CLOSELY INVESTIGATED THE POSSIBILITIES. MANY U.S. BUSINESSMEN ARE STILL RELUCTANT TO DEAL WITH A COMMUNIST STATE NO MATTER WHAT ITS POLITICAL AND ECONOMIC ORIENTATION MAY BE. YUGOSLAV REQUIREMENTS SUCH AS COUNTER TRADE AND LOCAL CONTENT CAN ALSO DISCOURAGE U.S. BUSINESSMEN. WHILE THESE REQUIREMENTS ARE OBSTACLES TO TRADE AND DO COMPLICATE BUSINESS DEALINGS, MANY OF OUR WESTERN ALLIES SEEM TO HAVE ADAPTED QUITE QUICKLY. WE SHOULD TOO. WE WELCOME THE NEWLY INAUGURATED TEMPS PROGRAM. THIS INDIVIDUAL-TAILORED MARKETING APPROACH, AIMED AT THE SMALLER U.S. FIRM, STRIKES US AS HAVING REAL POSSIBILITIES IN THE YUGOSLAV MARKET AND AS A GOOD EXAMPLE

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PAGE 02 BELGRA 03602 02 OF 02 120742Z

OF THE DIRECTION IN WHICH U.S. POLICY SHOULD BE ORIENTED. SUCCESSFUL PROGRAMS AIMED AT ENCOURAGING SMALLER U.S. FIRMS TO EXPORT WOULD BE DOUBLY BENEFICIAL IN YUGOSLAVIA'S CASE, FIRST BY EXPANDING U.S. EXPORTS AND SECOND BY FURTHER INCREASING THE NUMBER OF U.S. INSTITUTIONS, PRIVATE OR GOVERNMENTAL, INVOLVED WITH YUGOSLAVIA.

#### C. INVESTMENT POLICY-

CURRENT USG POLICY THAT U.S. FOREIGN INVESTMENT SHOULD NEITHER BE PROMOTED NOR DISCOURAGED, AT LEAST IN YUGOSLAVIA'S CASE, IS SELF-DEFEATING. IN ADDITION TO THE LONG-TERM RETURNS ON INVESTMENT THERE ARE DISTINCT SHORT TERM COMMERCIAL (MORE FAVORABLE TREATMENT IS GIVEN TO YUGOSLAV IMPORTS FOR JOINT VENTURES) ADVANTAGES. THERE ARE ALSO BOTH LONG AND SHORT TERM POLITICAL GAINS FROM INCREASED INVESTMENT.

#### D. STRATEGIC TRADE -

MORE EXPEDITIOUS EXPORT LICENSING PROCEDURES ARE AN ABSOLUTE NECESSITY. MORE EFFICIENT ARRANGEMENTS WOULD ALMOST CERTAINLY ENCOURAGE GREATER U.S. EXPORTS. STANDARDS NEED NOT BE RELAXED NOR SECURITY COMPROMISED. IT IS ESSENTIAL, HOWEVER, THAT DECISIONS BE REACHED MORE QUICKLY. SOME YUGOSLAV FIRMS HAVE CLAIMED, AND PROBABLY CORRECTLY, THAT PROLONGED DELAYS IN ISSUANCE OF LICENSES HAVE FORCED THEM TO BUY FROM NON-U.S. SUPPLIERS EVEN WHEN THE FOREIGN TECHNOLOGY MAY NOT COMPARE WITH U.S. QUALITY OR PRICE. EVEN MORE FUNDAMENTAL, OUR STRATEGIC TRADE POLICY MUST BE BASED ON AN UNDERSTANDING THAT COUNTRIES LIKE YUGOSLAVIA ARE AT LEAST AS MUCH INTERESTED IN BUYING TECHNOLOGY WHICH PRODUCES GOODS AS THE GOODS THEMSELVES.

E. FINANCING -

WE ARE STRUCK BY THE INCONGRUITY OF YUGOSLAVIA BEING OFFERED  
TOUGHER (CURRENTLY 1.5 PERCENT OVER LIBOR) FINANCING TERMS THAN  
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PAGE 03 BELGRA 03602 02 OF 02 120742Z

MOST, NO MORE DEVELOPED, SOCIALIST NON-MARKET ECONOMIES.  
THIS DESPITE AN EXCELLENT RECORD OF DEBT REPAYMENT AND AN ECONOMY  
WHICH IS MUCH MORE WESTERN TRADE ORIENTED AND BUILT ALONG WESTERN  
LINES THAN THE NON-MARKET ECONOMIES. WE RECOGNIZE PRIVATE  
FINANCIAL INSTITUTIONS HAVE THEIR OWN CRITERIA AND MAKE THEIR  
OWN DECISIONS ON CREDIT ARRANGEMENTS. NEVERTHELESS IT SEEMS  
TO US ALMOST A CASE OF PUNISH YOUR FRIENDS AND REWARD YOUR  
ENEMIES.  
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